

THE NEW YORK TIMES INTERNATIONAL WEDNESDAY, MAY 18, 2005

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Foreign Gas Companies in Bolivia Face Sharply Higher Taxes

By JUAN FORERO

LA PAZ, Bolivia, May 17 — President Carlos Mesa's government allowed passage of a bill on Tuesday that will sharply raise taxes on foreign energy companies, a move officials hope will defuse mounting protests from groups that want Bolivia to squeeze the big multinationals that have flocked to this poor country.

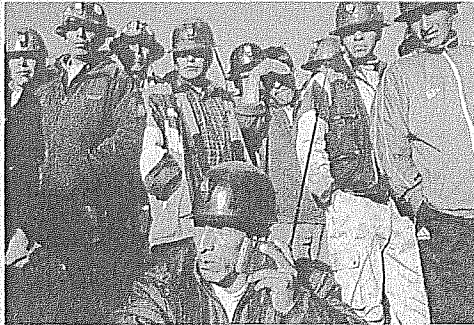
But the decision by Mr. Mesa, who has bowed repeatedly to demands from protesters in his 10-month term, appeared to placate few. Foreign oil companies say the law is financially onerous and will prompt them to cut back on investments, and the influential Movement to Socialism Party, led by Evo Morales, has promised more protests, contending the law is too soft on the companies.

Thousands of Indians and miners continued to march from several communities in the highlands toward the capital, some of their leaders promising to take over Congress unless a tougher law is approved.

"We are going to fight against this law," Dionisio Nuñez, a congressman with Movement to Socialism, said outside Congress. "The marches have to continue because in Congress, not all the senators and deputies defend the people. Sometimes they defend the multinationals."

By permitting a deadline to pass requiring him to approve or reject the law, Mr. Mesa turned the legislation back to Congress, where the senate president, Horlando Vaca Díez, signed it late Tuesday afternoon.

Mr. Mesa's decision surprised the



Nash Friedman-Rudovsky for The New York Times

Bolivian miners blocked a road yesterday to demand nationalization of energy companies. Years of protest have eroded foreign investment.

country because after Congress approved the law on May 5, the government said it would be economically disastrous for Bolivia, which is heavily dependent on foreign investment. The law adds a 32 percent tax to an 18 percent royalty that is already in effect, and requires energy companies to sign new contracts with the government.

Mr. Mesa, a historian and former journalist who took office after President Gonzalo Sánchez de Lozada was toppled by protesters angry at his energy policies, offered little explanation for his decision, telling Bolivians in a televised speech that

"there was no possibility that I would sign" the law.

His chief of staff, José Galindo, told reporters that the president wanted to respect the will of Congress. "Respecting that will, the president's decision is that this law is automatically approved," Mr. Galindo said.

In March, after Mr. Mesa threatened to resign in the face of protests, he pledged to push a "reasonable and acceptable" energy bill that offered "good conditions for Bolivia and for the international community." But with little support in Congress, and a range of groups promising to stage

more protests, Mr. Mesa bowed once more to the will of the streets.

The decision immediately put in danger \$3.5 billion invested in Bolivia since the late 1990's by Petrobras of Brazil, British Gas, Repsol of Spain and Total of France — all of them lured here by Latin America's second-largest natural gas deposits.

With Bolivia gripped by five years of antiglobalization protests, the initial promise has waned and oil and gas investments have fallen precipitously, to less than \$200 million last year from \$600 million in 1999. Big plans, like a project to export natural gas from landlocked Bolivia to the United States via a pipeline to the Chilean coast, are dead.

Companies "have found gas reserves but have not had the conditions to even think of developing them," said Carlos Alberto López, a former vice minister for energy who now consults for energy firms. "It is difficult to see how this sector will grow and develop."

The president of Repsol in Bolivia, Julio Gavito, recently told the newspaper La Razón that the new legislation would "force us to abandon many gas fields."

But many indigenous and labor groups want the government to go further, expropriating the companies' assets without compensation. They believe multinationals have been plundering Bolivia's riches for years and now they want payback.

"We say yes to nationalization of the hydrocarbons," said Julio Pabón, a leader of Fejuve, a leading antiglobalization group in the region.

Canada's Liberal Chief Wins Conservative Ally for Do-or-Die Vote

By CLIFFORD KRAUSS

TORONTO, May 17 — Prime Minister Paul Martin lured a leading Conservative into his cabinet on Tuesday, giving him a crucial ally for a budget vote on Thursday on which the government will survive or fall.

Bellinda Stronach, a former chief executive of an auto parts company, said she could no longer serve in the Conservative Party because it had aligned itself with the separatist Bloc Québécois to defeat the Martin government.

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"The political crisis affecting Canada is too risky and dangerous for blind partnership," she said at a news conference beside Mr. Martin. "I have a concern that lining up with the Bloc is not good for Canada to defeat this budget and trigger an election." If the opposition effort succeeds, she added, it could "leave the field open" for separatists to gain momentum and split the country eventually.

Ms. Stronach, who ran unsuccessfully against Stephen Harper for the Conservative Party leadership last year, was offered the job of minister of human resources and skills development.

Coming less than a year after the Liberals won a narrow electoral victory, the government crisis has been fed by daily testimony of Liberal kickbacks and money laundering in a

public investigation of a federal program sponsoring sporting and cultural events in Quebec.

With the defection, the Conservative Party and Bloc Québécois should now have 152 votes against the government, while the Liberals and social democratic New Democratic Party can count on 152 votes, including one independent. The fortunes of the government will now rest with two independent House of Commons backbenchers. Should they split, a tie would be broken by the House speaker, who is a Liberal.

The independents, Chuck Cadman and David Kilgour, who are both westerners, are noncommittal about how they will vote.

Mr. Kilgour, who has changed parties four times, has made an effort to trade his vote. He is asking for more

help for the beef industry and a restoration of federal aid for independent charitable organizations that work in developing countries.

But most of all, Mr. Kilgour is demanding that Canada send up to 500 peacekeepers to Darfur in Sudan to set an example to the world. Mr. Kilgour said that he had a 90-minute conversation with Mr. Martin last week, and that the prime minister took note of his arguments. Mr. Martin has appeared to move in Mr. Kilgour's direction, promising about \$150 million in aid and sending up to 100 Canadian troops. But Mr. Kilgour said that commitment still fell short.

Mr. Cadman, a former Conservative, has not overtly tried to bargain for his vote. He said he was weighing local polls to see how his constituents in British Columbia wanted him to vote.

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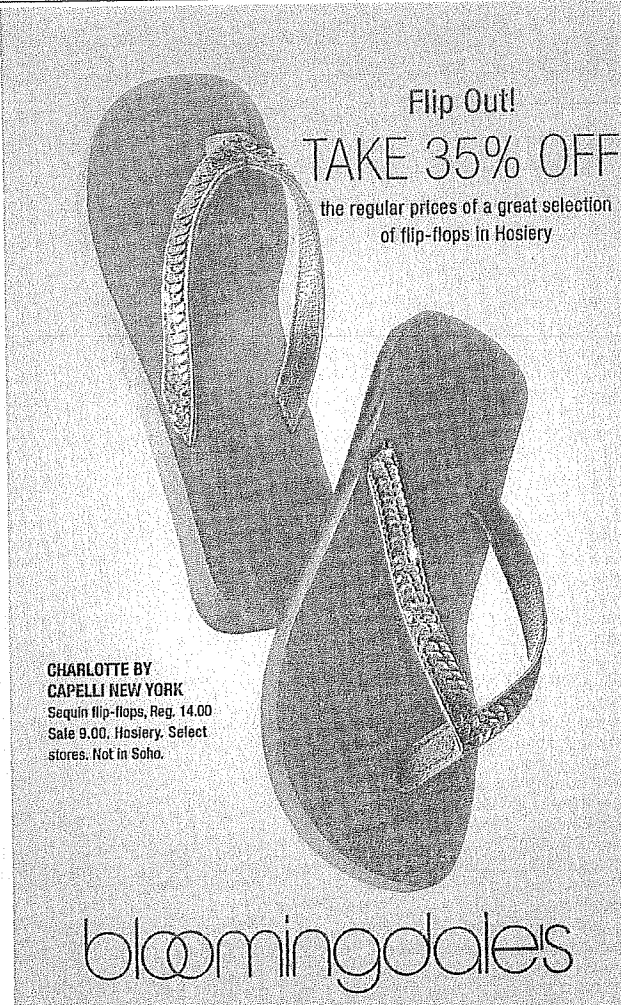
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